

Message Text

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ORIGIN EB-02

INFO OCT-01 ARA-02 ISO-00 /005 R

66618

DRAFTED BY EB/OT/GCP:JEO'MAHONY

APPROVED BY EB/OT/GCP:JEO'MAHONY

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R 221904Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

AMEMBASSY BUENOS AIRES

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PASS TO AMBASSADOR EBERLE'S GROUP

FOLLOWING EC BRUSSELS 2350 ACTION SECSTATE INFO BONN
BRUSSELS COPENHAGEN DUBLIN LONDON LUXEMBOURG PARIS ROME
THE HAGUE GENEVA USUN APR 18TH.

QUOTE:

LIMITED OFFICIAL USE EC BRUSSELS 2350

E. O. 11652: N/A

TAGS: ETRD, GATT, EEC

SUBJ: INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY
ACTIONS AND RAW MATERIALS SUPPLY PROBLEMS

REF: A) STATE 74777; B) STATE 69620

C) EC BRUSSELS 1807; D) EC BRUSSELS 2311

1. SUMMARY: DISCUSSIONS WITH A NUMBER OF COMMISSION
OFFICIALS HAVE REVEALED THAT GENERAL COMMUNITY THINKING ON
INTERNATIONAL ARRANGEMENTS FOR SHORT SUPPLY PROBLEMS
HAS NOT PROGRESSED VERY FAR. MANY OFFICIALS ARE STILL
ON EASTER LEAVE, BUT SEVERAL OF THESE STILL IN TOWN
INDICATE THAT THOUGH THE COMMISSION HAS BEGUN TO STUDY
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THE ISSUE, THE COMMISSION IS STILL A LONG WAY FROM

COMING UP WITH AN AGREED POLICY. END SUMMARY.

2. THE VISIT OF SECRETARY DENT PROVIDED AN OPPORTUNITY FOR DISCUSSION WITH COMMISSIONER SPINELLI, HIJZEN, AND OTHERS ON THE PROBLEM OF RAW MATERIAL SUPPLIES, MAINLY IN THE CONTEXT OF THE MONDALE-RIBICOFF AMENDMENT TO THE TRADE REFORM ACT (SEE REF TEL D).

3. ON APRIL 9 WE OUTLINED TO COMMISSION DIRECTORS MEYNELL AND PHAN VAN PHI U. S. OBJECTIONS TO BILATERAL APPROACHES ON SUPPLY PROBLEMS IN CONNECTION WITH ASSOCIATION ARRANGEMENTS (REFTEL B). PHAN VAN PHI FRANKLY ADMITTED THAT COMMISSION THINKING ON THIS SUBJECT IS ONLY AT A PRELIMINARY STAGE, BUT HE WAS CONSCIOUS OF THE POTENTIAL PROBLEMS THAT BILATERAL APPROACHES COULD RAISE WITH THE UNITED STATES. MYENELL ALSO EXPRESSED PERSONAL AGREEMENT THAT BILATERAL EC APPROACHES WOULD BE AN ECONOMIC MISTAKE AND COULD CAUSE SERIOUS PROBLEMS WITH THE U. S. HE WELCOMED A CLEAR STATEMENT OF U.S. POLICY ON THE ISSUE SINCE, HE SAID, SOME COMMISSION OFFICIALS ARE NOT AWARE OF THE PROBLEMS CONNECTED WITH A BILATERAL APPROACH.

4. PHAN VAN PHI EXPECTS TO BE IN PARIS NEXT WEEK FOR THE XCSS MEETING AND THE PRIOR EC CAUCUS ON APRIL 22. HE DOES NOT EXPECT THAT THE XCSS AGENDA WILL ALLOW A VERY SUBSTANTIAL DISCUSSION ON SHORT SUPPLY PROBLEMS. HE CONSIDERS THAT U. S. THINKING HAS PROGRESSED MUCH FURTHER THAN THAT OF THE COMMUNITY, THOUGH THE COMMUNITY RECOGNIZES THAT THE SUBJECT IS AN INEVITABLE ONE FOR THE MULTILATERAL TRADE NEGOTIATIONS.

5. ON APRIL 9, THE MISSION DISCUSSED INFORMALLY PRELIMINARY USG THINKING ON INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY PROBLEMS (REFTEL A) WITH KLAUS EWIG, DIVISION CHIEF IN THE EC COMMISSION DIRECTORATE GENERAL ON EXTERNAL RELATIONS RESPONSIBLE FOR THE FOREIGN TRADE ASPECTS OF ENERGY AND INDUSTRIAL RAW MATERIALS. LIMITED OFFICIAL USE

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6. IN RESPONSE TO THE DIFFERENT QUESTIONS POSED IN REFTTEL A, PARA. E, EWIG COMMENTED THAT THE EC COMMISSION HAD NOT PROGRESSED VERY FAR IN ITS THINKING ON LIMITATIONS ON THE USE OF EXPORT RESTRAINTS. HE SAID THAT THERE HAD BEEN SOME THOUGHT IN CONNECTION WITH A CODE OF GOOD CONDUCT IN THE GATT OR THE OECD, BUT NOT MUCH WORK HAD BEEN DONE. HE SAID THAT

PERSONALLY HE BELIEVED THAT IN THE FIRST INSTANCE ANY LIMITATIONS ON EXPORT CONTROLS WERE LIKELY TO BE ACCEPTABLE ONLY BY THE DEVELOPED COUNTRIES. HE DID NOT BELIEVE THE LDC'S PRODUCING RAW MATERIALS WOULD TOLERATE ANY RESTRAINTS IN WHAT THEY CONSIDERED THEIR SOVEREIGN RIGHTS TO CONTROL THEIR OWN RAW MATERIALS.

7. EWIG, STILL SPEAKING PERSONALLY, SAID THAT GUIDELINES FOR EXPORT CONTROLS THAT ONLY COVERED DEVELOPED COUNTRIES WOULD BE USEFUL TO THE EC, AS OVER 50PERCENT OF ITS RAW MATERIALS IMPORTS COME FROM DEVELOPED COUNTRIES. A PRELIMINARY WORKING LEVEL COMMISSION STUDY HAD EXPLODED THE MYTH THAT MOST OF THE EC'S IMPORTED RAW MATERIALS CAME FROM THE LDC (SEPTTEL). EWIG SAID THAT IT WOULD SEEM APPROPRIATE TO HAVE INITIAL SUBSTANTIVE DISCUSSIONS IN THE OECD BEFORE MOVING THE SUBJECT TO THE GATT IN THE MTN CONTEXT.

8. WHEN WE REMINDED HIM OF THE U. S. VIEW THAT RAW MATERIAL SUPPLY QUESTIONS SHOULD BE DEALT WITH MULTILATERALLY AND NOT BILATERALLY (REFTEL B), EWIG RESPONDED THAT HE PERSONALLY AGREED AND CONSIDERED BILATERAL ARRANGEMENTS IN SPECIFIC COMMODITIES UNWISE POLITICALLY AND NOT NECESSARY ECONOMICALLY. MYERSON
UNQUOTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RAW MATERIALS, EXPORT CONTROLS, MEETINGS, RESERVE SHORTAGE, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE081445
Document Source: CORE
Document Unique ID: 00
Drafter: JEO:MAHONY
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740094-0816
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740424/aaaaauzm.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) STATE 74777; B) STATE 69620
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by boyleja>; APPROVED <10 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY ACTIONS AND RAW MATERIALS SUPPLY PROBLEMS
TAGS: ETRD, US, GATT, EEC
To: SANTIAGO BUENOS AIRES
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005